

NET ZERO CITIES SGA2-NZC

Updated report summarising engagements with public and private sector sources of capital for the purpose of de-risking investable opportunities

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Abbreviations and acronyms

Acronym	Description
AllianzGI	Allianz Global Investors
BwB	Bankers without Boundaries
Capital Hub	Climate City Capital Hub
CEB	Council of Europe Development Bank
CHIP	Capital Hub Investor Panel
Cities Mission	EU's '100 Climate-Neutral and Smart Cities by 2030' Mission
DFI	Development Finance Institution
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EIB	European Investment Bank
ELENA	European Local Energy Assistance
EMCAF	Emerging Markets Climate Action Fund
ERDF	European Regional Development Fund
ESG	Environmental, Social, and Governance
EV	Electric Vehicle
GEFF	Green Economy Financing Facility
HVAC	Heating, Ventilation and Air Conditioning
IMHAB	Municipal Institute for Housing and Renovation of Barcelona
InvestEU	Invest European Union (programme)
LIFE	Programme for Environment and Climate Action
LP	Limited Partner
MDB	Multilateral Development Bank
MEEF	Mayor of London's Energy Efficiency Fund
Mission Cities	Cities participating in the EU's Cities Mission
NCC	Neutral Capital Centre
NCFF	Natural Capital Financing Facility
NZC	NetZeroCities
PF4EE	Private Finance for Energy Efficiency
PPP	Public-Private Partnership
SME	Small and Medium-sized Enterprise
SPV	Special Purpose Vehicle
TURF	The Urban Resilience Fund
WP2	Work Package 2
ZRS	Zurich Resilience Solutions

Summary

This report draws on the work conducted to date within NetZeroCities to support European municipalities in accessing the finance needed to accelerate their climate transitions. While public funding remains essential, it is not sufficient on its own to meet the scale of investment required. Mobilising private capital is crucial to closing the financing gap, but many urban climate projects struggle to attract such investment due to a range of actual and perceived risks. To overcome this challenge, cities need clear and effective de-risking strategies and stronger relationships with private capital providers. This report outlines how a set of financial instruments and tools can be used to reduce or redistribute risk. By improving the risk-return profiles of municipal climate initiatives, these instruments help unlock access to commercial capital without compromising project objectives. Drawing on real-world examples, the report provides an update on how these strategies have been applied in practice. The insights gained highlight that de-risking is not just a technical tool, but an important strategic lever for creating investable conditions. When rooted in local context, implemented with credible partners, and kept structurally simple, de-risking can be transformational in accelerating urban climate action and mobilising the capital flows cities need to achieve climate neutrality.

The report also provides an updated overview of the key institutions that are active in supporting urban climate project de-risking across Europe. Public actors such as the European Commission, the European Investment Bank, and national development banks play a crucial role by offering concessional capital, technical assistance, and guarantees. In parallel, philanthropic and private impact funds are increasingly supporting early-stage project development, helping to bring innovative but higher risk initiatives to market readiness. In line with this, the report illustrates the updated engagement strategy implemented to evolve conversation with these parties where relevant.

Keywords

NetZeroCities, EU Cities Mission, climate neutrality, de-risking, blended finance, private capital mobilisation.

Introduction

This report is part of Work Package 2 - Finance and Investments (WP2), which is led by Bankers without Boundaries (BwB). The objective of this work package is to provide Mission Cities with comprehensive support in meeting their capital and finance needs, including financial advisory consulting services, and tailored expert financial structuring support to attract public and private sources of capital to achieve climate neutrality.

Drawing on first-hand experience of work carried out under WP2 and, more broadly, in NetZeroCities, the actual and perceived higher risks of innovative climate investments can be a significant obstacle to municipalities' access to finance. De-risking mechanisms play a critical role in unlocking capital for climate-related projects at the city level, where the financial risks associated with political ties and innovative or unproven climate solutions often deter potential investors.

Cities face a unique set of challenges in accessing capital, including limited borrowing capacity, revenue volatility, and perceived governance or implementation capacity risks. De-risking enhances the risk-return profile of projects, thereby making them more attractive to a broader range of financiers. Tools such as guarantees, blended finance structures, and concessional funding reduce both perceived and real risks, catalysing private sector participation.

The public finance sector plays a crucial role by providing concessional finance and risk-sharing instruments, signalling political commitment, and anchoring investor confidence. Meanwhile, the private sector, including commercial banks, infrastructure funds, and institutional investors, brings essential scale and expertise in project execution and capital deployment. Effective collaboration between public and private actors is critical to structuring financing aligned with climate goals and commercial imperatives, enabling cities to access the investment needed to accelerate their transition to climate neutrality.

1 Financial Architecture for Urban Climate Projects: De-Risking Approaches and Instruments

De-risking strategies serve as a crucial bridge between municipal ambition and market expectations by systematically identifying and mitigating obstacles to accessing private capital markets for climate projects.

Cities that take a proactive approach to risk mitigation are better positioned to unlock blended finance, attract institutional capital, and accelerate the implementation of their climate agendas.¹ Developing a robust de-risking strategy involves integrating a mix of financial instruments, technical assistance, and institutional mechanisms. Focusing specifically on financial instruments, these might include:

- Grants
- Concessional loans
- Guarantees

[GPRBA \(Global Partnership for Results-Based Approaches\). \(2018\). 'New Perspectives on Results-Based Blended Finance for Cities: Innovative Finance Solutions for Climate-Smart Infrastructure'. World Bank, Washington, DC](#)

- First-loss capital
- Blended finance

Such tools do not entirely remove risk but, used effectively, they can redistribute or absorb it in ways that make projects more appealing to commercial investors without compromising municipal priorities.

1.1 Financial instruments for de-risking

This section explores the key categories of de-risking instruments available to European municipalities and presents practical examples of how cities across the continent have structured projects to align with investor requirements.

Grants

Grants are non-repayable funds that are typically provided by public or philanthropic sources. They are often used to finance early-stage project development, feasibility studies, and/or technical assistance, or to subsidise capital or operational costs. Grants play a crucial de-risking role by absorbing upfront risks or costs and catalysing follow-on investments from more risk-averse sources.

De-risking role: A grant could be used to fund pilot installations of nature-based solutions (e.g., green roofs, permeable pavements) to demonstrate their technical and financial viability, with the aim of attracting private capital for city-wide scaling through blended finance.

Concessional loans

Concessional loans are debt instruments offered at below-market interest rates and with more flexible terms such as grace periods or extended maturities. Development banks and international financial institutions typically offer these loans to improve the affordability and viability of climate projects, especially in contexts where commercial lending is limited.

De-risking role: By lowering the cost of capital, concessional loans make projects more financially viable and signal the project's credibility to private co-investors.

Guarantees

Guarantees serve as credit enhancement instruments. They protect lenders or investors from specific risks such as default, political instability, or construction delays. A financial guarantee is a non-cancellable promise by a guarantor to cover a borrower's debt or obligation if they default. Guarantees reduce lender risk and can improve the creditworthiness of borrowers, making it easier for the latter to access financing. Guarantees can be partial or full and are usually provided by development banks, export credit agencies, or public guarantee schemes.

De-risking role: Guarantees mitigate investor risk perceptions, thus making projects and funds more attractive to institutional and private capital.

First-loss capital

First-loss capital is the initial layer of investment in a capital stack that absorbs losses first in the event of an investment underperformance or default. First-loss capital acts as a risk buffer, protecting more senior investors by bearing the highest risk. Given the higher potential risk it carries, first-loss capital often comes with higher potential returns.

De-risking role: First-loss capital catalyses participation from commercial lenders that might otherwise avoid investment exposure due to risk concerns.

Insurance

Insurance instruments are risk transfer mechanisms whereby an insurer assumes specified risks in exchange for a premium paid by the insured party. In the context of climate and urban infrastructure investments, products such as political risk insurance, parametric (climate) insurance, performance

guarantees, and construction-phase insurance can protect projects against losses arising from extreme weather events, regulatory changes, technology underperformance, or counterparty default. Insurance products are typically provided by commercial insurers, development banks, or export credit agencies, and can be tailored to the specific risk profile of sustainable municipal projects.

De-risking role: By transferring residual or unforeseen risks to a third party, insurance enhances project bankability and helps unlock private capital that would otherwise be deterred by uncertainty over climate, regulatory, or operational risks.

2 Europe's De-risking Ecosystem

Within the framework of the Climate City Capital Hub (Capital Hub), the Neutral Capital Centre (NCC) serves as an independent platform for cities, investors, and institutions to connect and coordinate on innovative approaches to financing urban climate projects. As part of this work, BwB collaborates with a wide range of public and private sector partners to address project de-risking. Understanding the roles and capabilities of these institutions is essential for developing effective financial solutions that are tailored to the specific needs of different municipalities. These interactions have enabled the Capital Hub to test strategic assumptions, identify preliminary areas of alignment, and refine its approach.

The Capital Hub engages with key stakeholders across the de-risking spectrum, including public guarantee providers (e.g., European Investment Bank, European Bank for Reconstruction and Development), specialised asset managers (e.g., Aquila Capital, Suma Capital), infrastructure funds (e.g., Meridiam, Infranode, Amber Infrastructure), insurance companies (Zurich, Howden), development finance institutions (e.g., SDG Impact Finance Initiative), and philanthropic networks (e.g., Philanthropy Europe Association, Laudes Foundation).

2.1 Update on Capital Hub engagements: key European institutions and their de-risking capabilities

This section provides an update on the Capital Hub's engagement activities. Engagements encompass all efforts to consult and involve public and private sources of capital, including introductory meetings, catch-up conversations, investor outreach, project presentations, and roundtables and forums.

The following tables summarise new or updated engagements (including their outcomes) with key institutions on urban climate projects in Europe, highlighting each institution's de-risking capabilities and role within the broader financial ecosystem.

European Commission (EC)

The EC is the primary source of public grant funding and financial de-risking tools for urban climate and environmental infrastructure across the EU, operating through a suite of complementary instruments that can reduce upfront costs, absorb early-stage risk, and prove the investment case for innovative projects. Its key instruments directly relevant to the Capital Hub include the Horizon Europe Programme, which funds research, innovation, and demonstration projects; the LIFE Programme for environmental and climate action; and the Innovation Fund, which co-finances large-scale demonstration of low-carbon technologies. The EC also operates the InvestEU Programme, which provides EU budget guarantees to mobilise public and private investment through implementing partners, including the EIB Group, national promotional banks, and other financial institutions, and which includes a dedicated Sustainable Infrastructure window directly relevant to urban climate projects. Beyond grants, under shared management, the EU deploys Structural Funds, principally the European Regional Development Fund (ERDF) and the Cohesion Fund, which finances environmental and transport infrastructure in Member States where GNI per capita is below 90% of the EU average, through national and regional Managing Authorities operating under EC-approved Operational Programmes. These instruments can be

structured not only as grants but as loans, guarantees, and equity instruments when channelled through national promotional banks and regional managing authorities, enabling them to sit as a co-financing layer within blended project finance structures. The EU also deploys the Just Transition Fund (JTF), which targets regions dependent on fossil fuels and is directly relevant to urban climate infrastructure in coal or carbon-intensive areas. Together, these instruments position the EC as key enabler in the European urban climate ecosystem, lowering financial barriers at the stages where private capital is least willing to engage, and thereby increasing access to other sources of public and private capital.

Appetite	The Capital Hub was launched with EC support to connect Mission Cities with investors, provide financial advisory services, and structure projects in a way that can crowd in private capital.
Commitment	The EC has demonstrated its commitment by: • embedding the Capital Hub within the EU Cities Mission architecture and linking it to the Mission Label; • funding technical assistance, project preparation, and innovation through Horizon Europe, LIFE, and the Innovation Fund; and • actively participating in Mission Cities Steering Group meetings, structured monitoring, and regular check-ins.
Current and Next Steps	Together with the EC, the Capital Hub has launched country-focused deep dives to analyse investment contexts and financing challenges at the national level, as well as thematic deep dives to discuss different climate transition topics and emerging instruments (e.g., Climate City Funds), with the aim of discussing challenges, learning lessons and identifying innovative solutions for cities. The overarching objective continues to be to strengthen the Capital Hub's capacity to showcase financing models that are scalable, replicable, and able to mobilise significant private capital alongside public resources. The EU has relevant tools and institutions (e.g., InvestEU, European Investment Bank, Cohesion Fund) but there is the challenge of understanding how existing instruments can reach cities and how guarantee schemes could be accessed.

Table 1 - Engagement Outcomes – EC

European Investment Bank (EIB)

The EIB supports project de-risking across the EU and neighbouring Mediterranean countries by providing long-term loans, guarantees, and advisory services. It enhances the creditworthiness and technical readiness of public and private investments, particularly in sustainability and infrastructure. Key instruments include:

- **European Local Energy Assistance (ELENA):** ELENA provides grants for technical assistance to help local and regional authorities prepare and implement energy efficiency, renewable energy, and sustainable urban mobility projects. By covering project development costs (e.g., feasibility studies, business plans), ELENA reduces financial uncertainty and accelerates investment readiness.
- **Natural Capital Financing Facility (NCFF):** NCFF combines EIB financing with EC support (via the LIFE Programme) to assist projects that promote biodiversity and ecosystem services, such as green infrastructure and nature-based solutions. By taking on higher risk profiles and offering flexible financing, NCFF makes innovative natural capital projects more viable for investors.
- **Private Finance for Energy Efficiency (PF4EE):** PF4EE improves access to finance for energy efficiency initiatives by sharing risks with local banks. It combines EIB loans with credit risk protection and technical support, incentivising financial institutions to lend to smaller scale or less conventional energy efficiency projects that might otherwise be considered too risky.

Together, these tools significantly reduce technical, financial, and credit risks, thereby encouraging greater participation from private financiers and accelerating the implementation of climate-aligned urban projects.

Appetite	The EIB supports de-risking initiatives through credit enhancement for project finance, guarantees, and advisory services, with a focus on improving the bankability of sustainable urban infrastructure. It has also indicated interest in applying its existing instruments – such as ELENA, NCFF, and PF4EE – more systematically across Mission Cities for project preparation.
Commitment	The EIB has committed to collaborating with the Capital Hub in structured country-focused deep dives to analyse national contexts and financing challenges.
Current and Next Steps	The Capital Hub actively engages with the EIB on current assignments and on the design of new financial instruments to help manage municipal credit risk and mitigate risks linked to special purpose vehicles (SPVs). The Capital Hub, together with the EIB and EC, has finalised the first round of country deep-dives and will begin thematic sessions targeting financial instruments, including the use of revolving capital in combination with private capital in city investment vehicles, and guarantee schemes in the context of city funds and large infrastructure projects, amongst others. The aim is to discuss common city challenges and identify innovative and scalable solutions that can be replicated across multiple urban contexts. In addition, the Capital Hub has regular calls with the EIB to discuss regional project pipelines across the region – including that for Finland, Sweden, Norway, Denmark, and Iceland, among others.

Table 2 - Engagement Outcomes – EIB

European Bank for Reconstruction and Development (EBRD)

The EBRD helps municipalities in Southeast Europe and the Eastern Mediterranean de-risk climate infrastructure projects and mobilise private investment. It blends sovereign lending, donor grants, and technical assistance to improve project bankability and financial viability. Key instruments include:

Green Cities Programme: The Green Cities Programme supports municipalities in developing and implementing Green City Action Plans that identify priority investments in sustainable urban infrastructure. It combines concessional financing, co-investment, and technical support to reduce project risks and attract private capital.

Green Economy Financing Facility (GEFF): GEFF provides credit lines to local banks for on-lending to businesses and households investing in energy efficiency and renewables. By incorporating risk-sharing mechanisms and advisory support, GEFF strengthens local green finance markets and indirectly supports municipal climate goals.

Appetite	The EBRD prioritises climate-aligned municipal infrastructure within its zone of influence, especially where concessional finance and technical support can mobilise private capital.
Commitment	The EBRD has deployed the Green Cities Programme and GEFF across multiple markets, improving project bankability and supporting municipal climate goals. It is engaging with the Capital Hub to identify opportunities to cooperate more systematically in Mission Cities.
Current and Next Steps	The Capital Hub continues to maintain its engagement with the EBRD and is actively exploring all potential areas of cooperation related to Mission Cities within

	the bank's zone of influence – for example, discussions have taken place regarding the potential to collaborate on projects in Bulgaria, and future discussions may include projects in Romania and Latvia. The Capital Hub and the EBRD also have ongoing, ad hoc exchanges on capital markets instruments that could be relevant to cities that work with the Capital Hub.
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Table 3 - Engagement Outcomes – EBRD

Council of Europe Development Bank (CEB)

The CEB provides long-term, low-interest financing and technical assistance to support social investment projects, particularly in sectors such as affordable housing, health, education, and municipal infrastructure with a climate dimension. Its social mandate and due diligence standards make it a trusted partner for municipalities, while its concessional financing helps reduce costs and complement funding from other public and private sources.

Appetite	CEB's main focus is on social investment projects (e.g., housing, health, education) where long-term, low-interest loans and technical assistance can improve bankability and attract co-financing.
Commitment	CEB has a demonstrated track record of providing concessional finance and technical support to social infrastructure projects across Europe, helping to signal credibility and reduce risk for other investors.
Current and Next Steps	The Capital Hub has had preliminary engagement with CEB. Future opportunities for collaboration will be explored if appropriate.

Table 4 - Engagement Outcomes – CEB

Danish Green Investment Fund (Danmarks Grønne Investeringsfond)

The Danish Green Investment Fund is an independent state-backed investment fund established to accelerate Denmark's green transition by financing projects that reduce greenhouse gas emissions, enhance resource efficiency, or promote environmental sustainability. It plays a catalytic role in de-risking climate-related investments by offering long-term, flexible loans to public and private actors, including municipalities, utilities, and small and medium-sized enterprises (SMEs). By entering early and assuming part of the financial risk, the fund supports projects that might otherwise struggle to secure market-rate financing. Its strategic involvement improves project bankability, lowers capital costs, and helps attract commercial co-investors.

Appetite	The Danish Green Investment Fund is interested in providing longer-term loans and financing (up to 30 years) for projects that: • offer stable returns and/or strong public/social benefit; • demonstrate measurable green, CO2, energy, or climate risk mitigation outcomes (e.g., energy efficient public buildings, public housing retrofits, district heating systems, infrastructure for clean mobility, flood/stormwater/ drainage improvements); and • are located primarily in Denmark but may also include cross-border projects – for example, in partner cities with strong operational or financial ties to Denmark, or in places where Danish companies supply technology or services.
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Commitment	The Danish Green Investment Fund is already committing capital to green projects. The fund mainly deploys financial instruments with long maturities and will cover up to 60% of project costs, reflecting a willingness to take risk.
Current and Next Steps	The Capital Hub aims to identify one or two Danish cities or municipalities with urban mitigation projects to engage with the Danish Green Investment Fund. The goal is to structure a joint pilot involving Danish technology, engineering, and suppliers, ensuring that the project meets the fund's investment criteria and delivers clear public benefits. This pilot could leverage the fund's co-financing model – combining its loan facility with other sources of funding such as public funding, EU grants, and/or community contributions.

Table 5 - Engagement Outcomes – Danish Green Investment Fund

Philanthropy Europe Association (Philea)

Philea is a European umbrella organisation that represents philanthropic institutions – including foundations and networks – that are working to advance social and environmental causes across the continent. It provides a collaborative platform for knowledge exchange, advocacy, and strategic partnerships among philanthropic entities. Philea is playing a growing role in de-risking municipal climate projects by mobilising philanthropic capital and fostering cross-sector collaboration. Through initiatives such as the European Philanthropy Coalition for Climate, Philea encourages foundations to fund early-stage project development, capacity-building, and technical support – areas that are often underfunded but critical to reducing investment risk.

Appetite	While Philea does not directly invest in projects, it plays an important role in mobilising its network, which includes entities such as Laudes Foundation and the MacArthur Foundation. Philea has indicated that strong appetite exists among philanthropic organisations across Europe to support Mission Cities.
Commitment	Philea is committed to: • supporting Mission Cities; and • increasing the participation of philanthropic entities in urban transformation.
Current and Next Steps	The Capital Hub has continued its engagement with Philea, which is now a member of the Capital Hub Investor Panel (CHIP). In March 2026, Philea's Cities and Habitat in Philanthropy programme hosted a Funders Forum in Paris, with European foundations and impact investors, including Fondation de France, Laudes Foundation, Fondazione Cariplo, the German Marshall Fund of the United States, Ramboll, and Anglo-American Foundation, alongside three impact funds: Impact Europe, the Rotterdam Place-Based Impact Alliance, and the Paris 2050 Fund. The forum set out to explore how philanthropy can move beyond project-level grant-making to play a more catalytic role in urban climate transition. In addition, the forum led to a concrete commitment from the Capital Hub to support the Paris 2050 Fund on capitalisation and pipeline development and agreed targeted follow-ups with foundations interested in supporting EU Mission Cities.

Table 6 - Engagement Outcomes – Philea

The Urban Resilience Fund (TURF)

TURF is a blended finance impact fund launched by urban infrastructure specialists Meridiam in partnership with The Rockefeller Foundation and the United Nations Capital Development Fund. TURF helps cities in Europe and Africa to advance sustainable and resilient infrastructure by absorbing early-

stage development risk. It includes a catalytic capital fund that provides grants and concessional financing for project preparation, feasibility studies, and structuring – activities that are often too risky or costly for private investors. By facilitating blended finance and partnering with city authorities, TURF ensures projects are bankable and aligned with ESG and climate goals, making them more attractive for follow-on private investment.

Appetite	Meridiam, via the TURF Fund, is particularly interested in both project preparation funding and equity commitments in the range of €20–150 million.
Commitment	Meridiam has committed to review, and to present to its investment committee, public infrastructure projects that: • address urban resilience challenges and serve local communities; • are approved or formally supported by local/national authorities; • are structured as off-balance-sheet project finance under a public-private partnership (PPP) model; • require a majority, controlling, or co-controlling sponsor; • have received at least pre-feasibility support; and • are not yet procured or necessarily investment ready.
Current and Next Steps	The Capital Hub has continued engagement with Meridiam, who has been an active member of the CHIP. Discussions have occurred on several projects (district heating, metro updates, rooftop energy), with the investor open to discussing further projects in future.

Table 7 - Engagement Outcomes – Meridiam

Zurich Insurance Group (Zurich)

Zurich provides political risk insurance and credit risk insurance tailored for public infrastructure and climate-related projects. Municipalities or their project SPVs can leverage these instruments to cover risks such as:

- expropriation or contract breach by national/regional authorities;
- currency inconvertibility or transfer restrictions; and
- default by public or semi-public counterparties.

By securing insurance cover from Zurich, municipalities can guarantee revenue streams or investor returns in scenarios where political instability or payment failure could deter private financiers. This provides debt and equity investors with the comfort required to commit capital to complex climate infrastructure, especially in regions with governance challenges.

Appetite	Zurich's focus is on projects that address urban resilience challenges and assist local communities that are highly vulnerable to climate shocks such as floods, heatwaves, and wildfires. This appetite is underpinned by: • significant investment capacity – in the multi-billion range – with allocations already made to climate-related solutions relevant to urban infrastructure, including holdings in green bonds and investments in areas such as affordable housing and distributed energy systems; and • technical assistance through Zurich Resilience Solutions (ZRS), which provides risk analytics and advisory services to cities. For example, in Madrid, ZRS has supported a heat resilience programme by conducting vulnerability mapping, assessing risks for public buildings such as schools
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	and identifying potential adaptation measures. Zurich has not, however, disclosed its present or planned financial commitment to such initiatives.
Commitment	Zurich does not focus on isolated projects. Instead, it combines philanthropic capital, investment, insurance, and risk expertise to design financial solutions with public and community actors. Its commitment to urban climate finance and resilience is reflected in: • providing underwriting, risk engineering, and advisory services to help cities facing climate risks avoid loss of value; and • its investment in climate solutions, green infrastructure, and adaptation tools (e.g., climate risk analysis and resilience measurement for communities).
Current and Next Steps	The Capital Hub has initiated engagement with Zurich on innovative potential adaptation solutions and is exploring relevant pilot projects that could be scaled. Zurich has expressed interest in projects that the Capital Hub can present in the UK, Turkey, Italy, and Spain. Zurich is now a member of the CHIP.

Table 8 - Engagement Outcomes – Zurich

Aquila Capital

Aquila Capital is an asset manager specialising in investments that drive the energy transition and decarbonisation of infrastructure. Aquila has expertise across renewable energy, energy storage, hydropower, and sustainable infrastructure. Its clean energy development platform, Aquila's Clean Energy, includes a €1 billion construction financing facility secured with the EIB under the InvestEU programme. In addition, Aquila's dedicated Energy Efficiency strategy deploys capital into proven technologies – including cogeneration; heating, ventilation and air conditioning (HVAC) systems; LED lighting; and rooftop solar – directly with public administration and commercial counterparties, sharing energy cost savings as the basis for investor returns.

Appetite	Aquila has demonstrated strong appetite for energy efficiency and renewable energy investments across Europe, including with public sector and municipal counterparties. Its Energy Efficiency strategy targets small to medium-sized projects across the private and public sector, with a pan-European geographical focus. Aquila has explicitly expressed appetite for projects where cashflows are largely contractually fixed – including long-term concession agreements with municipalities – and where proven technologies reduce performance risk.
Commitment	Aquila has committed to a highly diversified portfolio by sector, counterparty, and project type, underpinned by a €1 billion EIB-backed InvestEU construction financing facility for renewable energy projects in Southern Europe. In addition, it is focused on expanding its Energy Efficiency strategy across Europe, including with public sector counterparties. Its first energy efficiency investment was a street lighting concession with a cluster of eight municipalities in central Italy, demonstrating its readiness to engage directly with local authorities.
Current and Next Steps	The Capital Hub has undertaken a structured engagement with Aquila, which is now a member of the CHIP. The engagement is aimed at developing a clear and comprehensive understanding of its investment mandate and priority sectors. Through a series of exchanges, both parties have developed a strong working relationship and have agreed to maintain active dialogue as pipeline projects progress toward financial close.

Table 9 - Engagement Outcomes – Aquila

Amber Infrastructure

Amber Infrastructure is a specialist international infrastructure investment manager, mobilising private capital into essential public and low-carbon infrastructure across the Europe (including the UK), Australia, and North America. It manages a portfolio of nine funds spanning public infrastructure, energy, transport, digital, and sustainable energy assets, with a strong track record in district heating, mobility, and social infrastructure PPPs. Its fully integrated approach, covering origination, development, investment structuring, and active asset management, allows it to act as a long-term partner for municipalities seeking to attract and deploy private capital into climate infrastructure.

Appetite	Amber has demonstrated strong appetite for urban low-carbon infrastructure with public sector counterparties, with a particular focus on energy efficiency, decentralised energy, district heating, and low-carbon mobility. It has managed over £500 million in commitments through the Mayor of London's Energy Efficiency Fund (MEEF) and has mobilised over £420 million of capital since its launch.
Commitment	Amber is committed to: • deploying capital into public and low-carbon infrastructure through its nine active funds, including dedicated urban energy efficiency vehicles; • acting as a long-term asset manager and public sector partner for municipalities seeking off-balance-sheet solutions for climate infrastructure; and • continuing to mobilise private and public co-investment into urban low-carbon projects, as demonstrated by MEEF's track record of securing commercial bank match-funding alongside public sector anchor capital.
Current and Next Steps	The Capital Hub has developed a good relationship with Amber, which is now a member of CHIP. This includes ongoing dialogue on different projects such as Climate City Funds, collaboration on the fundraising strategy for the Green Growth West Fund (GGWF) in Bristol (UK), as well as conversations about different themes, such as energy, heat networks, land degradation, and biodiversity.

Table 10 – Engagement Outcomes – Amber Infrastructure

ImpactA Global

ImpactA Global is a women-led infrastructure private debt manager that provides bespoke, flexible debt solutions to close funding gaps in transformational sustainable infrastructure projects across global emerging markets. Focusing particularly on the intersection of gender, and climate transition, ImpactA specialises in structuring and financing transactions, from early stage through to financial close, in sectors directly relevant to urban climate resilience: renewable energy, sustainable mobility, and water and sanitation.

Appetite	ImpactA has strong appetite for infrastructure private debt opportunities that combine contracted cashflows with measurable climate and social impact – including city-scale projects in renewable energy, sustainable urban mobility, and water and sanitation across lower and middle-income regions. It is particularly well suited to urban infrastructure transactions where development finance institution (DFI) or public sector involvement provides a first layer of support, but commercial debt remains unavailable or insufficient, and is open to early-stage engagement where its structuring expertise can help projects reach financial close.
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Commitment	ImpactA Global is committed to: • deploying infrastructure private debt into high-impact urban climate and sustainable infrastructure projects in emerging markets, targeting market-rate returns alongside measurable outcomes; and • providing innovative, bespoke debt structures that fill capital gaps and unlock projects that would otherwise stall.
Current and Next Steps	Although ImpactA Global is primarily focused on emerging markets, the Capital Hub has an ongoing dialogue with the organisation and is exploring its interest and ability to invest in emerging markets within Europe.

Table 11 - Engagement Outcomes – ImpactA Global

Infranode

Infranode is a Nordic infrastructure equity investor with a focus on energy, digital, transport, and social infrastructure. Infranode is a proven public sector partner, having acquired social infrastructure portfolios directly from Nordic municipalities, co-invested in district heating networks, and structured long-term concession-style arrangements with local authorities.

Appetite	Infranode's ability to take both minority and majority stakes, combined with a hands-on active ownership model across the full asset lifecycle, makes it a natural equity partner for municipalities seeking to attract long-term private capital into urban climate infrastructure without taking assets onto their balance sheet.
Commitment	Infranode is committed to: • deploying institutional capital into essential infrastructure across the Nordics through its two active funds; and • partnering with public sector counterparties as a long-term co-owner of urban infrastructure assets, including energy, district heating, and social infrastructure.
Current and Next Steps	The Capital Hub has initiated engagement with Infranode, with discussions ranging from project pipeline to roundtables - including the investor roundtable with Norwegian and Icelandic Mission Cities, where the Capital Hub facilitated constructive dialogue reflecting on the investment needs of the cities and exploring mechanisms for channelling capital into climate action.

Table 12 - Engagement Outcomes – Infranode

Muzinich & Co

Muzinich & Co is a privately owned, institutionally focused investment firm specialising in public and private corporate credit, with a 35-year track record across developed and emerging markets. Muzinich has launched a dedicated infrastructure and real assets private debt strategy, targeting up to US\$1 billion, focused specifically on supporting the energy and climate transition across middle-market infrastructure companies, including renewable energy, utilities, and sustainable urban infrastructure. For municipal climate infrastructure, Muzinich provides flexible, climate-aligned debt instruments that can complement equity and public financing in complex, multi-layered project structures.

Appetite	Muzinich is primed to engage with private debt investment in climate transition infrastructure, including in European urban markets. Its infrastructure and real assets strategy targets middle-market opportunities where conventional bank lending is insufficient or unavailable, providing senior and subordinated debt to infrastructure companies and project vehicles. The firm has expressed particular interest in opportunities that combine stable, contracted cashflows with measurable climate impact – including energy efficiency, utilities, and sustainable urban infrastructure – and is open to structures that involve public sector counterparties as off-takers or guarantors.
Commitment	Muzinich is committed to deploying up to US\$1 billion through its dedicated Infrastructure and Real Assets Private Debt Strategy into climate transition infrastructure, including in EU markets.
Current and Next Steps	The Capital Hub has ongoing engagement with Muzinich, which is now a member of the CHIP, with specific interest in projects located in Italy and the UK.

Table 13 - Engagement Outcomes – Muzinich & Co

Allianz Global Investors (AllianzGI)

AllianzGI is one of the world's leading active asset managers, managing approximately €560 billion in assets and with more than 20 offices worldwide. A subsidiary of the Allianz Group, AllianzGI operates across public and private markets with a strong emphasis on sustainable and impact investing and has explicitly identified infrastructure transformation and the pathway to sustainability as core investment themes. In the climate infrastructure space, AllianzGI co-created the Emerging Markets Climate Action Fund (EMCAF) with the EIB, a €450 million blended finance vehicle endorsed by the G7 as a model for mobilising private institutional capital into climate infrastructure, using concessional public capital as a first-loss layer to crowd in private investment at scale.

Appetite	AllianzGI is well positioned to support climate infrastructure investment. It actively seeks opportunities to deploy institutional capital into infrastructure assets aligned with net zero pathways, with particular interest in blended finance structures where public or concessional capital reduces risk for private investors. AllianzGI is also interested in engaging with municipalities and cities as counterparties in climate infrastructure transactions, particularly where projects generate stable, long-term cashflows backed by public sector commitments.
Commitment	AllianzGI is committed to advancing its EMCAF blended finance strategy to mobilise up to €7.5 billion in climate finance across emerging and developing markets.
Current and Next Steps	The Capital Hub has developed ongoing engagement with AllianzGI, which has been a member of the CHIP and has asked to be contacted on a project basis going forward.

Table 14 - Engagement Outcomes – AllianzGI

KfW IPEX Bank

KfW IPEX-Bank is the specialist project and export finance arm of Germany's state-owned KfW Group, providing long-term, bespoke debt solutions for complex infrastructure across Europe and beyond. It is a leading arranger of PPP transactions and has directly financed urban infrastructure assets central to the Capital Hub's mission, including district heating networks, sustainable urban mobility, charging infrastructure, and social infrastructure. Its financing priorities are explicitly shaped by decarbonisation,

urbanisation, and the demand for high-quality social services, and its ability to take lead roles in financing consortia alongside commercial banks and DFIs makes it a credible anchor lender for municipal climate infrastructure requiring long-tenor, investment-grade debt.

Appetite	KfW IPEX-Bank has strong appetite for urban infrastructure projects that combine climate transition credentials with public sector involvement, including electricity transmission, district heating, charging infrastructure, sustainable mobility, and social infrastructure delivered through PPP structures. It is well suited to transactions where its role as lead arranger or anchor lender can crowd in additional commercial bank financing, and where projects involve German or European exporters or technology providers.
Commitment	KfW IPEX-Bank is committed to: - financing infrastructure and climate protection projects across Europe through long-term, customised project and corporate finance structures, including PPPs with public sector counterparties; - taking lead roles in financing consortia to mobilise commercial bank co-lending alongside its own commitments; and - applying its sustainability guidelines, based on the Equator Principles and IFC Performance Standards, across all financing activities, ensuring that urban infrastructure projects it supports meet high environmental and social standards from the earliest planning stages.
Current and Next Steps	The Capital Hub has initiated engagement with KfW IPEX-Bank. It has indicated a strong interest in adaptation projects and offered to collaborate as a sounding board for these projects.

Table 15 - Engagement Outcomes – KfW IPEX Bank

Crédit Agricole

Crédit Agricole is one of the world's largest banking groups. It has deep expertise in structuring and arranging long-term debt for complex urban infrastructure, including district heating, sustainable urban mobility, electric vehicle (EV) charging networks, and energy efficiency, making it a highly relevant financing partner for Capital Hub projects. Its climate strategy is anchored around financing renewable energy, low-carbon infrastructure, clean technologies, and energy efficiency projects. As a mandated lead arranger and green structuring agent across Europe, Crédit Agricole can play a pivotal role in bringing commercial bank debt into multi-layered urban climate transactions alongside public and blended finance.

Appetite	Crédit Agricole has strong appetite for project finance transactions in urban low-carbon infrastructure, particularly where public sector or DFI involvement provides a credit anchor. It is actively financing the renovation of public transport rolling stock and low-carbon mobility infrastructure, EV charging networks, and energy transition assets across Europe. Its appetite is underpinned by group-level commitments to growing low-carbon energy exposure and deploying significant financing capacity into climate-aligned infrastructure.
Commitment	Crédit Agricole is committed to: tripling annual financing of renewable energy and low-carbon infrastructure by 2030, aligned with its group-wide Destination 2050 climate transition plan; and

	acting as a leading arranger and green structuring agent for urban climate infrastructure across Europe, mobilising commercial bank co-financing alongside public and blended finance instruments.
Current and Next Steps	The Capital Hub has developed ongoing engagement with Crédit Agricole, including the presentation of various projects in Parma, Italy, and initial financial structuring discussions. As a key financial partner of the city, Crédit Agricole is committed to continued collaboration, with conversations ongoing about how best to support and accelerate the city's ambitions.

Table 16 - Engagement Outcomes – Crédit Agricole

Suma Capital

Suma Capital is a Barcelona-based independent impact investment manager, with a focus on sustainable infrastructure in Spain, with nearly two decades of experience deploying equity into energy transition, circular economy, and urban climate assets. Through its SC Infra programme, it invests directly in greenfield and brownfield infrastructure for energy transition and waste circularity, including renewable energies, decarbonised mobility, and efficient water management, all sectors central to the Capital Hub mission. Its third fund, SC Climate Impact Fund III, is a €300 million vehicle investing in projects that generate recurrent cashflows alongside measurable, verifiable environmental impact, and has already backed biomass district heating networks, biogas plants, and municipal-scale renewable heat infrastructure across Spain and Europe.

Appetite	Suma Capital expects 50–70% of its investments to be in Spain, with the remainder across Europe – primarily France, Germany, Italy, and the UK. It is particularly interested in urban-scale infrastructure assets with contracted cashflows, including district heating, clean mobility, waste-to-energy, and energy efficiency projects with public or municipal counterparties. Suma Capital actively targets greenfield development and operational value-add opportunities.
Commitment	Suma Capital is committed to: - deploying its €300 million SC Climate Impact Fund III into Article 9-aligned sustainable infrastructure across Spain and Europe, targeting recurrent cashflow generation alongside positive, measurable environmental impact; and - prioritising urban climate infrastructure – including district heating, clean mobility, and circular economy assets – that addresses unmet territorial needs at city and municipal scale.
Current and Next Steps	The Capital Hub has initiated dialogue with Suma Capital, to understand Suma Capital's investment mandate and priority themes. Discussions will continue with the aim of developing a deeper understanding of potential projects of interest.

Table 17 - Engagement Outcomes – Suma Capital

Arbour Partners

Arbour Partners is a London-based, Financial Conduct Authority-regulated platform that connects specialist fund managers with institutional capital through a global network of experienced capital-raising advisors. With US\$23 billion in fund products on its platform and over US\$145 billion cumulatively deployed by Arbour Partners-advised originators, it operates primarily across Europe with growing

coverage in emerging markets. While focused principally on private debt funds, Arbour Partners also brings a small but specialist structuring capability capable of designing innovative financing structures, including seasoning vehicles that package and sell portfolios of infrastructure or renewables investments to pension funds, freeing up balance sheet for DFIs and development-oriented originators. This combination of deep limited partner (LP) networks and creative transaction structuring expertise makes Arbour Partners a strategic partner for the Capital Hub, either in helping raise capital for city-focused fund vehicles or in structuring specific transactions emerging from the pipeline.

Appetite	Arbour Partners' core appetite is for private debt fund mandates where its advisor network can source institutional LP capital across Europe and beyond. It is particularly well suited to situations where a fund manager or transaction originator needs to access a broad base of institutional investors – including pension funds, family offices, and other long-term allocators – efficiently and across multiple jurisdictions. Beyond traditional placement, Arbour Partners has expressed interest in more complex, structured transactions where its modelling expertise can add value, including portfolio seasoning structures and blended finance vehicles that bridge development capital and institutional investment.
Commitment	Arbour Partners commitment is centred on its ability and support to enable access to its network of 1,500+ institutional investors and 50+ capital-raising advisors across 26 countries, with full regulatory coverage across Europe, the US, and Asia.
Current and Next Steps	The Capital Hub has initiated engagement with Arbour Partners to explore areas of potential synergy that could help unlock institutional capital for urban climate infrastructure.

Table 18 - Engagement Outcomes – Arbour Partners

PATRIZIA SE

PATRIZIA SE is a leading global real assets investment manager, investing across real estate and infrastructure, with approximately €56 billion in assets under management. Its infrastructure arm, with over €10 billion invested across more than 140 direct infrastructure debt and equity investments, is directly relevant to the Capital Hub, with an explicit strategic focus on 'DUEL' megatrends: Digital, Urban, Energy, and Living transitions. PATRIZIA SE aims to act as a bridge between global investors and infrastructure assets that support smart, low-carbon, and sustainable communities, and has identified smart city infrastructure, renewable energy, district heating, water utilities, and electrified transport as core investment themes.

Appetite	PATRIZIA SE has strong and active appetite for urban infrastructure assets that generate stable, long-term cashflows while delivering measurable climate and ESG outcomes. It invests across both equity and debt in infrastructure assets spanning renewable energy, electrified transport, green buildings, and energy-efficient urban solutions, with a particular focus on European cities where urbanisation and decarbonisation create compelling investment opportunities. It is actively seeking partnerships with municipalities and public sector counterparties, to modernise existing infrastructure. It is open to both direct investments and co-investment structures alongside public sector anchor partners.
Commitment	PATRIZIA SE is committed to deploying infrastructure equity and debt capital into urban climate assets aligned with its DUEL megatrend strategy – targeting long-

	term, cashflow-backed investments in smart city infrastructure, energy transition, and sustainable urban mobility.
Current and Next Steps	The Capital Hub has ongoing engagement with PATRIZIA SE to understand its key investment interests and explore potential projects. For example, hydrogen projects in UK and solar energy projects have been discussed, with the firm expressing interest in continuing the dialogue. The Capital Hub also plans to discuss mobility projects with the firm.

Table 19 - Engagement Outcomes – PATRIZIA SE

2.2 Expanded engagement strategy

Drawing on insights gained through the Capital Hub's interactions with key institutions in the de-risking space to date, it is transitioning to a more structured phase of engagement to expand and deepen relationships within regions and more broadly. This new phase will continue to be refined throughout 2026, ensuring responsiveness to partner feedback and emerging opportunities is maintained and enhanced.

2.2.1 Investor roundtables and workshops

The Capital Hub organises roundtables and workshops that bring cities and investors together to enable constructive dialogue tailored to the specific context of different jurisdictions, while building local capacity and fostering collaboration. Examples include the Investor Council in Sweden and the Cities and Investor workshop in Cyprus.

Appetite	The Investor Council in Sweden brought together the seven Swedish Mission Cities, national financing institutions, and private investors to focus on financing urban mobility projects. The objectives of the Investor Council were to: • strengthen city-investor dialogue; • create a shared understanding of how to structure investments for public and private actors; • help develop sustainable business models; and • clarify what investors require in terms of risk, returns and time horizons.
Focus	The Council discussed innovative financing structures in the mobility sector, investigating how integrated financing solutions that blend public and private capital can reduce operational risk and ensure long-term financial viability of projects. The discussions centred on electric buses, EV charging infrastructure, and decarbonised construction equipment, which are key to reducing emissions but face challenges such as high upfront costs, weak revenue models, and limited access to long term finance.
Outcomes and Next Steps	Overall, the meeting provided a clear and practical understanding of how mobility projects can be advanced in Sweden (including structuring and finance), helping cities move from plans to bankable projects. Attendees expressed interest in continued sector-specific deep dives to discuss other collective solutions and deepen dialogue. Bilateral engagement with investors will be facilitated where relevant as a follow on.

Table 20 - Investor Council, Sweden

Appetite	The Capital Hub convened an invitation-only workshop during the Climate Neutral Blue Cities by 2030 event hosted by Municipality of Limassol. The objectives of the workshop were to: • facilitate a structured forum for dialogue between cities and investors; • support the development of cities' priority projects by enabling early investor feedback for refining project structure, risk allocation, governance, and financing models to become investment-ready; and • enable investors to gain early visibility on future investment pipelines.
Focus	The focus of the workshop was to facilitate early engagement to improve project quality and maturity, while building relationships and mutual understanding between cities and investors. Each city had the opportunity to present projects that they consider a priority and/or are more mature. The main projects presented centred on mobility and nature-based solutions.
Outcomes and Next Steps	It was agreed that similar workshops could be organised to support cities in advancing their Climate City Contracts.

Table 21 - Cities and Investors Workshop, Cyprus

2.2.2 Capital Hub Investor Panel (CHIP)

The CHIP serves as a gateway and sounding board to the private sector investment community, with the associated objective of institutionalising investor knowledge within the EU Cities Mission platform to support future capital mobilisation efforts.

The CHIP convenes regularly with a closed group of around 10 private investors, including several of the institutions discussed above, complemented by ad hoc participation from public sector representatives and, where relevant, cities.

Membership focuses on European investors, with a strong track record in urban and municipal finance and that are aligned with the Cities Mission.

The key objectives of the CHIP are to:

- **Enable neutral structured discussions** to facilitate mutual understanding between Mission Cities and investors regarding pre-investment-ready projects;
- **Strengthen the execution capabilities** of the Capital Hub's project preparation stream by identifying and addressing barriers to private investment and suggesting innovative, replicable approaches; and
- **Deliver early feedback on the financial viability of solutions, bankability, and risk-return alignment** to ensure potential projects are better positioned to attract capital once they are investment-ready.

CHIP has started to schedule meetings to structure discussions in more detail, including sectoral/regional priorities, investment requirements, and potential project co-development capacities with cities.

The first CHIP meeting was held in October 2025 and the second one was held in May 2026.

2.2.3 Continuing engagement strategy

The Capital Hub will continue to build on the engagement activities summarised above, alongside engagement opportunities arising from relevant conferences and public forums (e.g., London Climate Action Week), to further broaden and deepen its understanding of the latest views and priorities of different types of private investors.

Planned actions also include continuing direct engagement with European DFIs to gain their perspectives on de-risking funding structures and participating in joint discussions with de-risking providers in collaboration with other relevant Horizon Europe projects (e.g., DesirMED).

The Capital Hub's NCC will reach out to non-financial providers of de-risking solutions, including second-party opinion providers working with cities (e.g., Moodys, Ethifinance), index product creators, and sustainability verification organisations such as FAST-Infra Label, to identify how these entities could contribute to de-risking strategies for city-level climate projects.

In addition, the Capital Hub is continuing to systematically explore the guarantee instruments available in Europe for Mission City projects (e.g., EIB's financial institutions guarantee schemes, Development Guarantee Group), as well as identifying any potential gaps that exist for European projects.

3 Proven in practice: case studies of de-risking urban climate investments

[EBRD / InvestEU – Green Portfolio Guarantee for Urban Energy Efficiency, Bulgaria \(November 2025\)](#)

Project: Scaling up green lending for energy efficiency in buildings, renewable energy, and sustainable transport across Bulgaria.

De-risking mechanism: The EBRD teamed up with UniCredit Bulbank, a commercial bank incorporated in Bulgaria, to provide €50 million in guarantees under the InvestEU programme. The EBRD's guarantee was supported by partial first-loss risk cover from the EU under the InvestEU Fund. The guarantee structure worked on two levels: the EU's first-loss cover reduced the risk carried by the EBRD, which, in turn, enabled the EBRD to extend its guarantee to UniCredit Bulbank, directly absorbing the credit risk that the commercial bank would otherwise have faced when lending to urban energy and transport projects. Without this layered guarantee architecture, UniCredit Bulbank would not have been able to deploy capital into this asset class at this scale as the risk-return profile of individual urban green loans was insufficient to meet commercial lending thresholds.

Private investment mobilised: The guarantee unlocked €100 million of new lending from UniCredit Bulbank to finance green investments in energy efficiency and renewable energy for buildings and sustainable transport – a 2:1 leverage ratio on the EBRD's €50 million guarantee. This illustrates the guarantee model's core logic: a relatively modest public risk commitment, layered through a multilateral development bank (MDB), increased the volume of private commercial lending flowing into urban climate investments that the market alone would not have financed.

[EIB – Climate-Neutral Urban Investment, Thessaloniki, Greece \(February 2026\)](#)

Project: Integrated urban climate investment programme covering sustainable mobility, building energy efficiency, and public space renewal.

De-risking mechanism: The EIB signed a €30 million financing agreement with the City of Thessaloniki to support the implementation of the city's 2025–2030 investment programme within the framework of its Climate Neutrality Plan 2030. The EIB's long-term, concessional loan directly addressed this by providing a stable anchor for the investment programme, reducing the refinancing and delivery risks that would otherwise deter private sector participation in multi-sector urban climate projects.

Private investment mobilised: The EIB works closely with the EC and the Cities Mission to support Mission-labelled cities in transforming the latter's ambitious investment strategies into mature, bankable, and implementable projects. The EIB's backing signals project credibility to private contractors and co-financiers, enabling the city to leverage its anchor loan into a broader pipeline of climate investments aligned with its 2030 neutrality target.

EBRD Green Cities / EU – Sustainable Urban Infrastructure, Chisinau, Moldova (August 2025)

Project: Sustainable infrastructure for three new urban areas on the periphery of Chisinau.

De-risking mechanism: The EBRD lent €68.2 million to City of Chisinau to develop sustainable infrastructure for new urban areas in the Moldova's capital, Chisinau. The sub-sovereign loan was complemented by a €1.9 million investment grant and supported by the EU, which provided first-loss risk cover. The project is one of several follow-on investments flowing from the Green Cities Action Plan Chisinau drew up as part of joining EBRD Green Cities, which sets targets for sustainable mobility, climate mitigation, and transport.

Private investment mobilised: The EU first-loss risk cover played a catalytic role by absorbing downside risk and improving the project's financing terms, and signalling creditworthiness to private infrastructure partners and contractors. The layered structure, combining EBRD lending, an EU investment grant, and EU first-loss protection, directly addressed the sub-sovereign credit risk and demonstrates how blended public finance can unlock infrastructure and private investment in a lower-income capital city with limited access to international markets.

4 Tools for de-risking

As discussed above, cities continue to face significant barriers in accessing private capital, including borrowing constraints, fragmented pipelines, and uncertain revenue models. De-risking in this context should not be viewed through a narrow lens of a single approach or a limited number of instruments, but rather as an evolving framework that broadens investment pathways beyond traditional municipal debt to include equity investment, insurance-based solutions, blended finance, philanthropic participation, and community funding. The key takeaway is that cities need to diversify their de-risking toolkit to mobilise and sustain private sector investment in their climate initiatives.

The high-level decision matrix in Figure 1 sets out key considerations for cities when assessing financing options. It focuses on four dimensions that typically shape investor appetite: revenue streams, counterparty creditworthiness, project scale, and technology or risk profile. Mapping projects against these dimensions helps identify: i) the most relevant types of investors and utilities; and ii) the instruments best suited to mitigating risks and unlocking private investment.

Figure 1: Decision matrix for assessing financing options for climate projects. Source: BwB

1	Available Revenue Streams?
☒	YES, STABLE/CONTRACTED (PPA, TARIFF) commercial banks, institutional investors, infrastructure equity funds, strategic corporates
☐	YES, BUT UNCERTAIN/VOLATILE guarantees, blended finance, or risk-sharing instruments
☐	NO DIRECT REVENUES (PURE PUBLIC GOOD) grants, concessional loans, philanthropic finance, or community/citizen funding
2	Creditworthy Counterparty?
☒	YES (UTILITY, STRONG CITY BALANCE SHEET, SOVEREIGN GUARANTEE) commercial banks, institutional investors, infrastructure equity funds, strategic corporates
☐	WEAK/UNCERTAIN partial credit guarantees, MDB co-lending, equity/quasi-equity SPVs, impact investors
3	Project Scale?
☒	LARGE (>€20-100M) commercial banks, institutional investors, infrastructure equity funds, bonds
☐	SMALL/FRAGMENTED (<€10M) aggregation funds, on-lending facilities, community bonds, cooperative finance, crowdfunding
4	Technology/Risk Profile
☒	MATURE/PROVEN TECH commercial banks, PE/infra funds, standard loans/bonds
☐	INNOVATIVE OR HIGH CLIMATE RISK blended finance, concessional tranches, insurance/ILS products, philanthropic capital
☐	VERY HIGH RISK pilot grants, insurance/ILS solutions, community/philanthropic co-funding

While the decision matrix provides general guidance, financing choices are ultimately shaped by the unique characteristics of individual projects and the municipal, regional, and national contexts in which they are implemented. The Capital Hub is actively exploring solutions such as project aggregation and investable platforms that will achieve sufficient scale, diversify risk, and provide structures that are more attractive to private investors.

Building on these foundations, the Capital Hub will continue to develop detailed decision frameworks that can be replicated and adapted across different contexts to offer cities clear, sector-specific guidance on de-risking financing structures.

The implementation roadmap in Figure 2 outlines a practical sequence of steps that cities can follow when moving from project idea to finance-ready proposal. Rather than treating de-risking as a one-off intervention, the roadmap frames it as a progressive sequence: starting with clarity on which projects are genuinely investable, building scale where possible, and ensuring that financing structures are aligned with both service outcomes and delivery capacity.

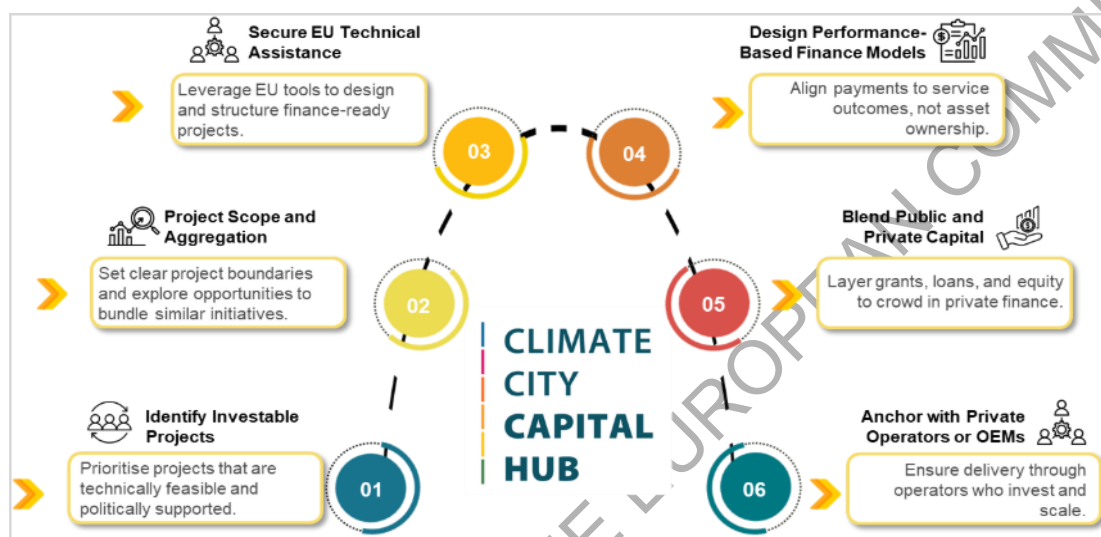
Cities should approach this process with a focus on three mutually reinforcing priorities:

- **Aggregation** creates the scale needed to attract private sector investors.
- **Performance-based design** ensures outcomes are transparent and measurable, helping to reduce risk and align the interests of public and private sector actors.

- **Strong partnerships**, both with technical assistance providers and private co-investors, are essential for sustaining delivery and unlocking capital at scale.

Used based on these priorities, the roadmap is not prescriptive – it is a flexible template that cities can adapt to their own context. It is intended to guide thinking, provide structure, and help cities frame projects in ways that resonate with the requirements of financiers, funders, and delivery partners.

Figure 2: An implementation roadmap for cities. Source: BwB



5 De-risking strategies and structures: insights and recommendations

By mitigating real and perceived risks, de-risking strategies are powerful tools for unlocking greater flows of private capital into climate projects. Based on its engagement and work to date, the Capital Hub has drawn several valuable lessons:

- **Risk-sharing must be appropriately aligned among stakeholders.** Successful structures often involve layered financing – for example, using philanthropic or public capital as a buffer that will absorb any early losses to make investments more attractive to commercial financiers. However, this must be carefully managed. If risk absorption is overly generous or misaligned, it can distort markets and reduce incentives for rigorous due diligence by private investors.
- **De-risking structures should be as simple as possible while being sufficiently reliable.** Diversifying the toolkit is important and theoretically robust, but this does not mean layering on unnecessary complexity. In practice, overly customised mechanisms can deter investor appetite and delay project execution. By contrast, straightforward instruments such as guarantees, first-loss protections, and insurance products are typically more scalable and replicable across cities.
- **The credibility and transparency of the de-risking entity is crucial.** Investors must trust the intermediaries or guarantors providing risk coverage. Organisations that can demonstrate strong governance, clear mandates, and a track record of upholding commitments are more effective in catalysing private capital flows.

- **De-risking strategies must be context specific.** Solutions that are effective in one geography, sector, or market can easily fail if simply transplanted wholesale into another context. Tailoring structures to local market, regulatory, and stakeholder environments is essential for success.
- **De-risking can unlock substantial investment flows, but its deployment must be carefully calibrated.** This is crucial to avoid creating dependencies, market distortions, or other unintended consequences.

Used effectively, a diverse toolkit of de-risking instruments can play a transformative role in creating investable conditions for urban climate action. These instruments not only mitigate financial risk, but can also help build capacity, foster confidence, and facilitate partnerships that can be scaled across Europe. The case studies in this report demonstrate that well-structured, strategic de-risking can crowd in substantial private investment, accelerate project delivery, and contribute to long-term climate resilience. As cities continue to advance towards net-zero goals, embedding de-risking strategies into local and national financial planning will be essential for achieving the scale of investment required to meet ambitious climate objectives.